

# KENTUCKY DEPARTMENT OF EDUCATION (KDE)

DISTRICT FUNDING AND REPORTING BRANCH  
DISTRICT FINANCIAL MANAGEMENT BRANCH

## FINANCE NEWSLETTER

November/December 2012



### Dates to Remember:

November 1 – Audited AFR & BS Submissions Window open.  
November 1 – Growth Factor Adjustment Form due.  
November 10-11 – KASBO Conference, Marriott Griffin Gate, Lexington  
November 14 – 18 SFMI Week One & Week Two  
November 15 – Audited AFR & BS submissions due.

### Audited Annual Financial Report (AFR) Submission

The fiscal year 2011-2012 **audited AFRs** are due at KDE by **November 15**. Please remember that the FY 2012 On Behalf Payments are required to be recorded in the districts' audited AFRs prior to submission to KDE, except for the Debt Service and Technology amounts that are strongly encouraged, but not required, to be recorded for the FY 2012 AFRs. Please refer to the FY 2012 On Behalf Payments information located at the following link: <http://education.ky.gov/districts/FinRept/Pages/On-Behalf-Payments-Information.aspx>

The audited AFRs will be submitted via the web submission process, the same as last year's submission process. The submission application will only be open from November 1 through November 15 and will only allow one submission from each district. The link for submitting AFRs is <https://odss.education.ky.gov/webforms/>.

For additional help, please select "MUNIS Annual Financial Report Guide STW-GL-2 v2.doc" or "Audited AFR Submission Guide" at <http://education.ky.gov/districts/Pages/MUNIS-Guides.aspx> and click the "+" beside the "Title: Budgets – General Ledger" title.

Also, districts must submit the original signed **Statement of Certification** by **November 15** to KDE. This statement certifies that all audit adjustments have been entered into MUNIS, and the Annual Financial Report and Balance Sheet submitted to KDE are in agreement with the audit report. The Statement of Certification is inside the "Audit Contract Information for FY2011-2012" package located at the following link: <http://education.ky.gov/districts/FinRept/Pages/District-Financial-Audit-Contracts.aspx>

If you have any questions related to audited AFRs, please contact the Division of District Support by sending an e-mail to [finance.reports@education.ky.gov](mailto:finance.reports@education.ky.gov). The subject line should read Audited AFR - (insert district name).

## **New Checks in the Audited AFR/AFR Balance Sheet Submission Process**

Our new guide for the [Audited AFR and AFR Balance Sheet Guide Submission Error/Note guide](#) will be on the Web shortly.

Carefully read the document for important information.

Below are some highlights:

**Deleted #18** Recording Stimulus, ARRA Money. It was present in the Un-Audited AFR, but since all monies were to be expended by the end of 2011, it has been removed.

**Page 5** -- we have added to new important check box requirements for districts to bypass checks #21 and #23 in the Audited AFR submission — please read carefully why you would check these boxes.

**Page 10 #17** Recording On-Behalf Revenues and Expenditures -- notice the addition of the SFCC as a new note for this section.

**Page 10 #19** Negative Amount of Transportation Costs has changed to an ERROR.

**Page 11 #20** Fund Balance Calculation is less than 2% is NEW.

**Page 11 #21** Textbook Expenditure Object 0644 changed from a NOTE to an ERROR.

**Page 11 #23** Fund 1 Function 27XX Object Code 0732 is a new and an ERROR.

**Page 14 #10** Fund 310 or 320 and Object Code 8770 changed from a NOTE to an ERROR.

**Page 14 #11** -- only Fund 1 may have a deficit balance is a new NOTE.

If you have any questions about the above guide or the references to changes, please send them in an e-mail with the subject line “Audited AFR and AFR Balance Sheet Submission Guide” to [finance.reports@education.ky.gov](mailto:finance.reports@education.ky.gov).

## **Reminder: Transportation Growth Factor Adjustment Form**

The Transportation Growth Factor Adjustment Web-based form for fiscal year 2012-2013 data is due to the Kentucky Department of Education ten days after the end of the second school month, but not later than November 1. The data will be submitted via the Web submission process, the same as last year. The submission application will only be open for a limited time starting October 5 and will only allow one submission form per each district.

The Transportation Growth Factor Adjustment form can be accessed at the following link:

<http://www.education.ky.gov/KDE/Administrative+Resources/Finance+and+Funding/School+Finance/Transportation+Funding+Forms.htm>.

Please forward any questions regarding the Transportation Growth Factor Adjustment Web-based form and submission to Debra Vaughan at (502) 564-3846 or [debra.vaughan@education.ky.gov](mailto:debra.vaughan@education.ky.gov).

## **KDE Fund Balance Calculation Changed**

KDE's methodology of calculating the fund balance report (2% carry forward) has changed. In the 2012 Audited AFR, we will be applying this new calculation to the data and if your district's calculation is less than 2%, you will receive a note in the submission process.

The definition of Fund Balance is the Fund 1 (General) fund balance at year-end that could be used to cover next year's expenditures.

We changed the calculation as follows:

### **AFR Balance Sheet-Fund Balance**

Data segments are: Fund 1, Objects 874X, 875X, 8770. We sum the balance, and it equals a Total of Fund Balance Fund 1.

### **AFR-Expenditures**

Data segments are: Fund 1, 51, Objects less than 09xx and not 0280, Project not like 16MX and sum the year to date actual for a Total of Fund1/Fund 51 Expenditures.

### **The fund balance calculation:**

Total of Fund Balance Fund 1 divided by Total of Fund 1/Fund 51 Expenditures = a percentage.

KDE wants to see at least 2% or more and not less. If a district's Fund Balance is less than 2%, it will receive a NOTE stating, "The Fund Balance calculation is less than 2%."



## **Indirect Cost Guidelines**

An indirect cost rate is a device for determining, in a reasonable manner, what portion of allowable general administrative expenses each federal grant should bear. The U.S. Department of Education (USED) has approved a delegation agreement with KDE that authorizes KDE, as the cognizant agency, to establish indirect cost rates for Kentucky's local education agencies (LEAs).

Accounting, auditing, payroll, personnel, budgeting and purchasing services are examples of services to which costs may be attributed by means of an indirect cost allocation plan. The district's Audited Annual Financial Report (AFR) is used to calculate indirect cost rates. Therefore, it is essential that LEAs classify expenditures uniformly and consistently and in accordance with the Chart of Accounts maintained on the KDE website. The Non-Restricted and Restricted Indirect Cost Rate Calculations for each district can be found on the KDE website at the following link: [IndirectCosts](#)

The indirect cost rates must be approved by the local board prior to October 1 in order to claim indirect costs for the period; however, approval of the rates does not commit the local board to make indirect cost claims against grants. Once the rates have been calculated and approved by the local board the LEA may elect to:

1. apply the applicable rate, or a lesser rate, to all grants
2. apply the applicable rate, or a lesser rate, to only specific eligible grants
3. not apply the rate to any grants

The rate is applied to the actual expenditures incurred in the period equal to total direct costs of the project less excluded costs, which may include equipment purchases, alterations and renovations, on-behalf payments and pass-through funds. In the food service program, the rate is applied to actual salaries and benefits (not including on-behalf payments) for the period. The restricted rate applies to grants that are made under federal programs with the "supplement but not supplant" restriction. The non-restricted rate applies to grants that are not subject to the "supplement but not supplant" restriction, such as food service. The difference in the two rates is that Plant Operations and Maintenance (function 2600) is included in indirect costs for the calculation of the non-restricted rate but is excluded from indirect costs for calculation of the restricted rate.

Since the indirect cost rates are calculated for use with federal programs, the federal fiscal year should be used. Please use the 2011-12 rates through September 2012, and then use the 2012-13 rates beginning October 2012. The rate should be used in the year the funds are expended, which is not necessarily the same as the year the funds are appropriated, received or encumbered. If more than one year is involved in a project, the indirect cost rate used to recover indirect costs should change as the fiscal year changes.

There are limitations on the recovery of indirect costs. Grantors may limit the amount recoverable and expenditures that are identified as indirect costs cannot also be included as direct costs. The indirect cost rate may not be applied to excluded costs that include expenditures for capital outlay, capitalized equipment and on-behalf payments.

It is essential to review and understand Office of Management and Budget (OMB) Circular A-87 at [http://www.whitehouse.gov/omb/circulars\\_a087\\_2004](http://www.whitehouse.gov/omb/circulars_a087_2004) and the [Indirect Cost Guidelines](#) issued by KDE if a district charges indirect costs to any federal programs. For more information, please contact Susan Barkley at (502) 546-3930 or at [susan.barkley@education.ky.gov](mailto:susan.barkley@education.ky.gov).

### **KDE Has a New Website**

Please note that KDE now has a new website with a new look and feel. The primary website address is the same; however, practically all of the content has been reorganized. The content is now organized more by functional area. Much of the information for Finance Officers can be found within the different categories within District/School support. Of particular note is the new location and organization of the MUNIS guides all on one page. To access the MUNIS Guides, simply go to the District/School support Overview page or directly to <https://education-edit.ky.gov/districts/Pages/MUNIS-Guides.aspx>. As you get acclimated to the new website, please remember to take advantage of the new and improved search capability for the site. The Search box is available on the top of every page and is a great feature to use, particularly if you are unable to find the information you want quickly.



### **Revised BG-1 (for construction contracts) for Revenue Bond(s) Document Reminder**

Pursuant to 702 KAR 4:160, districts selling revenue bonds to finance a construction project are required to submit the required documents to KDE's District Facilities Branch **a minimum of ten working days prior to the scheduled bond sale date**. These documents include a revised BG-1 financial page (3) that conforms to the proposed contract.

Bond sales for which required documents are not received in a timely manner are subject to postponement.

For further information or questions about the BG-1 process involving bond sales, please contact Jeffrey Coulter at [jeffrey.coulter@education.ky.gov](mailto:jeffrey.coulter@education.ky.gov) or (502) 564-3846.

## **Capital Funds Request and BG-1**

A Capital Funds Request **must** be completed and submitted with a BG-1 Project Application Form if the use of the proposed capital funds does not align with the regulated definition for each fund [i.e., must be on the DFP (FSPK Cash and Capital Outlay Cash) (2010 SFCC Cash on DFP in highest priority), must meet the 702 KAR 4:180 definition for Major Renovation]. Failure to submit the required BG-1 will result in a delay of the consideration of the Capital Funds Request.

Information regarding the Capital Funds Request is located at the following link:

<http://education.ky.gov/districts/FinRept/Pages/Capital-Funds-Request.aspx>

Information regarding the Capital Construction Process is located at the following link:

<http://education.ky.gov/districts/fac/Pages/Construction.aspx>

Please forward any questions regarding Capital Funds Request to Pari Ziebart at

[pari.ziebart@education.ky.gov](mailto:pari.ziebart@education.ky.gov) or (502) 564-3846.

Please forward any questions regarding Capital Construction Process to Tim Lucas at

[tim.lucas@education.ky.gov](mailto:tim.lucas@education.ky.gov) or (502) 564-3846.

## **New Information for Recording KISTA Purchases**

KDE is providing new procedures of how to record KISTA purchases in MUNIS. The new procedures should be used in fiscal year 2013.

At the inception of the lease, districts should record the following in Fund 1:

Dr. Vehicles 0732 (function 2740) (9011096-0732)

Cr. Other financing source – capital lease 5500 (110-5500)

When payments are made for the lease for KISTA through accounts payable, the following entries need to be made from Fund 1:

Dr. KISTA (principal and interest combined) 0839 (function 5100) (0001112-0839)

Cr. Cash 6101 (10-6101)

KISTA debt has opened up its financing to more than buses. Since reconciling debt can be difficult, we recommend that the following procedures be added when using KISTA. Districts should use projects in the following way to aid in this: first, bus debt should use BUS, Technology should use TECH, and for energy, use ENE.





## **Kentucky Interlocal School Transportation Association (KISTA)**

Kentucky Interlocal School Transportation Association (KISTA) programs listed below are financing arrangements available to school districts that provide benefits similar to a bond issuance. By consolidating numerous districts' small projects, the districts receive the same benefits of low interest rates and issuance costs of a typical bond issuance along with the flexibility in repayment terms. KISTA is actually selling the bonds while the participating districts enter into a capital lease with KISTA.

The principal and interest payments made for capital leases are not required by generally accepted accounting principles to be recorded in the debt service fund (fund 400), but are permitted to be recorded there if the district so chooses. Function 5100 (debt service) and objects 0831 (principal) and 0832 (interest) must be utilized for the payments for these and other capital leases regardless of the fund in which they are recorded.

### **KISTA Programs:**

- **KISTA School Buses Financing** - KISTA was formed by a group of superintendents more than two decades ago with the intention to help districts finance the cost and purchase of new school buses to take advantage of tax-exempt financing rates.
- **KISTA Energy-Efficiency Financing** - KISTA partners with the Kentucky School Boards Association (KSBA) and the Kentucky Department of Energy Development to help districts identify ways to save money through energy-efficient upgrades for smaller-scale projects up to \$500,000. Typical projects include the installation of energy-efficient windows, doors, roofs and lighting and HVAC and kitchen upgrades.
- **KISTA Technology Financing** – KISTA also offers a program to fund technology improvements and upgrades.

Please forward any KISTA questions to Jeffery Coulter at [jeffrey.coulter@education.ky.gov](mailto:jeffrey.coulter@education.ky.gov) or (502) 564-3846.

## **Propane-Powered School Bus**

The Kentucky Department of Education, in its ongoing efforts to be environmentally conscious, is proud to announce the approval to pilot a propane-powered school bus. This pilot comes on the heels of the department being awarded a federal grant in the amount of \$12.98 million for the inclusion of diesel electric hybrid buses into the state school bus fleet.

The Crittenden County school system requested, and was granted, department approval for this pilot. The pilot will study the feasibility of using this alternative fuel in Kentucky school buses. Crittenden County has received a bid on propane of 98 cents per equivalent gallon of diesel fuel. Currently, a gallon of diesel fuel sells for \$3.42 per gallon. That's a savings of \$2.44 per gallon. In Crittenden County's case, buses travelled 280,772 miles last school year. This converts to an annual savings of approximately \$4,629 per bus. For Crittenden County, this equates to an annual savings of \$110,000 to \$125,000 on fuel alone. Crittenden County Superintendent Rachael Yarbrough said that "any savings would help support instructional programs and personnel to support student learning."

The Kentucky Department of Education has investigated the purchase price of a propane-powered bus and is optimistic that the initial cost is lower than that of a standard diesel-powered school bus. This is because of the lack of EPA-required equipment on a propane-powered bus that is required standard equipment on a diesel-powered bus.

Bids have been let for this bus through the Division of Purchasing Services in the Finance and Administration Cabinet. The results of the bid are expected to be received in the immediate future. Crittenden County has agreed to closely track and monitor all costs and performance data related to the performance of this bus. Areas such as economic viability, performance, ease of maintenance and driver friendliness will be studied and documented.

Congratulations to Superintendent Yarbrough and Crittenden County.

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